

from the CMS by completing a request to exclude data form.

At this time, The Depository Trust Company ("DTC"), the MBS Clearing Corporation, the Stock Clearing Corporation of Philadelphia ("SCCP"), the Philadelphia Depository Trust Company ("Philadep") and the Participants Trust Company have signed CMS agreements. The Options Clearing Corporation has agreed in principle to participate in the CMS.

## II. Discussion

Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed to assure the safeguarding of securities and funds in the custody or control of the clearing agency or for which it is responsible.<sup>8</sup> As discussed below, the Commission believes that the proposed rule change is consistent with NSCC's obligation under the Act because the CMS should help clearing agencies and their participants to better monitor clearing fund, margin, and other similar required deposits that protect a clearing agency against loss should a member default on its obligations to the clearing agency. Consequently, the CMS should assist clearing agencies in assuring the safeguarding of securities and funds in their custody or control.

Many clearing participants currently maintain memberships at multiple clearing entities. The type of clearing entities at which a single firm may maintain memberships can vary a great deal and can include securities clearing corporations and depositories regulated by the Commission and futures clearing entities that are not regulated by the Commission. Whether a securities or futures clearing entity, all such clearing entities require that members post deposit in some form of a participants fund contribution and/or margin requirement to protect the clearing entity from losses should the member default on its obligations to the clearing entity. Consequently, clearing participants generally maintain required deposits at several different clearing entities. The CMS is intended to help clearing participants to more efficiently manage their various clearing fund and/or margin deposits by providing access to such information, including comprehensive data on underlying collateral at such multiple clearing entities, in a consolidated manner through a computer network.

The CMS also will provide participating clearing entities with the ability to view common members' clearing fund and/or margin deposits at

other participating clearing entities. This will be especially beneficial to those participating clearing entities that have executed cross-guaranty agreements<sup>9</sup> or have other cross-guarantee arrangements.<sup>10</sup> The Commission supports the use of cross-guaranty agreements and other similar arrangements among clearing agencies as a method of reducing clearing agencies' risk of loss due to a common participant's default.

Participants' access to CMS information will be limited to a participant's own information, and participants will not have the ability to submit data directly to NSCC. All CMS data will be submitted by participating clearing entities. Consequently, the Commission is satisfied that the confidentiality and accuracy of participant data will be maintained.

The Commission also believes that the proposed rule change is consistent with Section 17A(a)(2)(A)(ii) of the Act which directs the Commission to facilitate linked or coordinated facilities for clearance and settlement of transactions in equities, options, and futures.<sup>11</sup> Furthermore, the Commission believes that the proposed rule change is consistent with the Division of Market Regulation's conclusion in its 1987 Market Break Report that information coordination among clearing entities should include commodity futures clearing corporations and other appropriate futures entities to assure complete coordination and dissemination of information on

<sup>9</sup> Currently, DTC and NSCC are the only clearing agencies registered with the Commission that have executed a cross-guaranty agreement. The agreement provides that in the event of a default of a common member, any resources remaining after the failed common member's obligations to the guaranteeing clearing agency have been satisfied will be made available to the other clearing agency. The guaranty is not absolute but rather is limited to the extent of the resources relative to the failed member remaining at the guaranteeing clearing agency. The principal resources will be settlement net credit balances and the failed member's deposits to the clearing agencies' clearing funds. For a complete description of DTC's and NSCC's agreement, refer to Securities Exchange Act Release No. 33548 (January 31, 1994), 59 FR 5638 [File Nos. SR-DTC-93-08 and SR-NSCC-93-07] (order approving proposed rule change).

<sup>10</sup> Pursuant to Section 3, Rule 2, Article VI of the Midwest Securities Trust Company's ("MSTC") Rules, a defaulting participant's obligations at MSTC or the Midwest Clearing Corporation will be discharged by application of that participant's deposits at either clearing agency if that participant is a common member to both clearing agencies. Similarly, pursuant to Section 4, Rule 4 of SCCP's Rules, SCCP will make available any portion of a defaulting participant's contribution to its participants fund to offset a loss suffering by Philadep by reason of that participant's default. Philadep's Rules contain an identical provision.

<sup>11</sup> 15 U.S.C. 78q-1(a)(2)(A)(ii) (1988).

common members.<sup>12</sup> NSCC's CMS will provide access in a consolidated manner to information regarding clearing fund, margin, and other similar requirements and deposits at both securities and futures clearing entities. Coordination of information among clearing entities concerning common members is a critical element in clearing entities' ability to protect and safeguard funds and securities.

## III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of Section 17A(b)(3)(F) of the Act and the rules and regulations thereunder.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-NSCC-95-06) be, and hereby is, approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>13</sup>

**Margaret H. McFarland,**  
Deputy Secretary.

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[Release No. 34-36094; File No. SR-NSCC-10]

## Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Concerning the Processing of Index Receipts

August 11, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on July 27, 1995, the National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-NSCC-95-10) as described in Items I, II, and III below, which items have been prepared primarily by NSCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The purpose of the proposed rule change is to modify NSCC's procedures for processing index receipts to reflect that the only service NSCC will provide

<sup>12</sup> Division of Market Regulation, The October 1987 Market Break 10-21 (February 1988).

<sup>13</sup> 17 CFR 200.30-3(a)(12) (1994).

<sup>1</sup> 15 U.S.C. 78s(b)(1) (1988).

<sup>8</sup> 15 U.S.C. 78q-1(b)(3)(F) (1988).

with respect to foreign index receipts is distribution of the composition file. In addition, the proposed rule change establishes a fee of \$125.00 for the distribution of the composition file for such nondomestic index receipts.

## II. Self-Regulatory Organization's Statement of the Purpose of and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, NSCC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. NSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.<sup>2</sup>

### (A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

NSCC currently provides services for the processing of domestic index products. These services include the processing of creation and redemption instructions and the settlement of the underlying securities as well as cash amounts related to the creations and redemptions. Additionally, NSCC provides members with a composition file that is used by NSCC in settling the creation and redemption instructions.<sup>3</sup> The New York Stock Exchange ("NYSE") plans to begin trading depository index receipts based on the Financial Times Actuaries World Indices.<sup>4</sup> The new NYSE products will include receipts based on a domestic index and eight foreign indexes. While the index receipts will trade and settle like other domestic equity products, their underlying foreign components are not eligible to be cleared and settled domestically. Thus, the purpose of this filing is to modify NSCC's rules to indicate that with respect to foreign index products the only service which NSCC will provide will be the distribution of the composition file.

NSCC currently charges members a fee of \$125.00 per month per file for the distribution of the domestic composition file. The proposed rule change will establish a fee for the

distribution of the composition file for the nondomestic indexes. Consistent with the domestic composition file fee, the fee for distribution of the composition file for the nondomestic indexes also will be \$125.00 per month per file.

NSCC believes the proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder because: (i) the rule proposal will facilitate the prompt and accurate clearance and settlement of securities transactions and (ii) the proposed rule change establishes the equitable allocation of dues, fees, and other charges among NSCC's members.

### (B) Self-Regulatory Organization's Statement on Burden on Competition

NSCC does not believe that the proposed rule change will have an impact on or impose a burden on competition.

### (C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments relating to the proposed rule change have been solicited or received. NSCC will notify the Commission of any written comments received by NSCC.

## III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) (ii) and (iii)<sup>5</sup> of the Act and pursuant to Rule 19b-4(e) (2) and (4)<sup>6</sup> promulgated thereunder because the proposal: (i) establishes or changes a due, fee, or other charge imposed by NSCC and (ii) effects a change in an existing service that does not adversely affect the safeguarding of securities or funds in NSCC's custody or control or for which it is responsible and does not significantly affect the respective rights or obligations of NSCC or persons using NSCC's services. At any time within sixty days of the filing of such rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

## IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and

arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Section, 450 Fifth Street N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of NSCC. All submissions should refer to the file number SR-NSCC-95-10 and should be submitted by September 7, 1995.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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[Release No. 34-36083; File No. SR-PSE-95-10]

## Self-Regulatory Organizations; Order Approving Proposed Rule Change by the Pacific Stock Exchange, Inc. Relating to its Procedure for Evaluating Options Trading Crowd Performance

August 10, 1995.

On April 7, 1995, the Pacific Stock Exchange, Inc. ("PSE" or "Exchange") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to modify its procedure for evaluating options trading crowd performance by specifying that floor broker questionnaires will be distributed semi-annually rather than quarterly. The Exchange subsequently filed Amendment No. 1 to the proposed rule change on May 25, 1995.<sup>3</sup> Notice of the

<sup>2</sup> The Commission has modified parts of the summaries prepared by NSCC.

<sup>3</sup> NSCC provides to its members the composition file for creations and redemptions of index receipts occurring on the next business day to advise its members of the index receipts' component shares and associated quantities.

<sup>4</sup> See Securities Exchange Act Release No. 36032 (July 28, 1995), 60 FR 40403.

<sup>5</sup> 15 U.S.C. 78s(b)(3)(A) (ii) and (iii) (1988).

<sup>6</sup> 17 CFR 240.19b-4(e) (2) and (4) (1994).

<sup>7</sup> 17 CFR 200.30-3(a)(12) (1994).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> In Amendment No. 1, the Exchange proposes to amend Rule 6.82(b)(4)(i) to provide that the Lead